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FOR SECRETARY RICE FROM AMBASSADOR BAILEY

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TAGS: [PREL](#) [OVIP](#) [SECRETARY RICE](#) [LG](#)  
SUBJECT: SCENESETTER FOR SECRETARY RICE'S PARTICIPATION IN  
NATO SUMMIT

Classified By: Ambassador Catherine Todd Bailey for Reason 1.4(d)

¶1. (C) Madame Secretary, we are extremely honored that you will visit us November 28-29. Over two years into NATO and European Union membership, Latvia has emerged as a significant international player, despite its modest population and resource base. Latvia stands out as a successful post-Soviet society that has become a respected voice in the international community. Strong memories of occupation and oppression strengthen Latvia's resolve to reach out to countries near and far striving to join the forward march of freedom. Latvia has troops on the ground in Iraq and Afghanistan, and remains solidly Transatlanticist in its orientation. The country remains one of the fastest growing economies in the European Union, and this economic growth provides the resources Latvia will need to implement its program to promote freedom and democracy abroad. Its geographic position offers great potential as a stepping-stone for U.S. exports and investors. Embassy Riga daily makes it a priority to expand bilateral trade and investment. Latvia's support for pro-market, pro-free trade policies is important to the U.S., especially in European and international organizations. Your visit to Latvia for the NATO Riga Summit provides an excellent opportunity to reinforce our partnership with Latvia in projecting freedom, democracy, and market-based prosperity.

President Vike-Freiberga  
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¶2. (C) Latvia's hosting of the summit is a real capstone for President Vaira Vike-Freiberga and what she will add to her legacy. It is indicative of the high personal regard in which she is held within the alliance that a country of Latvia's small size would host the summit. But her excellent reputation extends beyond Europe. Her candidacy for Secretary General of the United Nations, with an emphasis

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that selection of this important post should be based on merit rather than a regional rotation, that it was time for a female Secretary General, and the need for reform at the UN, was short but she rapidly moved into third place--even though some candidates had been in the race for nearly two years. Her performance in the race will likely open doors for her as she considers her options after her term in office ends next July.

Foreign Minister Pabriks  
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¶3. (C) As foreign minister, Artis Pabriks has been a firm transatlantic voice in EU circles and a strong voice to the

Latvian public in articulating the importance of the relationship with the U.S. Pabriks, an academic by background, is not a politician in the manner of his fellow-party member, Prime Minister Kalvitis. He has no major power base in the People's Party, but is nonetheless widely recognized as a person of integrity, intelligence, and vision. He has proven to be a solid partner to Embassy Riga during his tenure as foreign minister. In a meeting with the Latvian press on November 9, Pabriks flagged concluding the Latvia-Russia border treaty and pursuing Latvia's accession to the OECD as two foreign policy priorities for the second Kalvitis government.

#### Elections

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¶4. (SBU) Latvia's October 7 parliamentary elections, the 5th since independence was restored in 1991, provided a vote of confidence in the incumbent minority government of Prime Minister Aigars Kalvitis. Kalvitis' government has focused on low taxes and creating a pro-business environment, while building good relations with the US and Europe and simultaneously working to improve the strained relationship with Russia. Kalvitis will continue as PM and little change in policy is expected as a result of the election. The big surprise in the election was the unexpected success of the center-left, Russian-oriented Harmony Center party which bested its more strident competitor, a party named For Human Rights in a United Latvia (PCTVL).

#### Democracy Promotion

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¶5. (SBU) Latvia has demonstrated sustained support for international military operations that further the freedom agenda. With 120 soldiers in Iraq, 30 in Afghanistan, and others in Kosovo, on a per capita basis Latvia is one of the

largest contributors to these operations. Latvia is shifting from being a recipient of foreign aid to being a donor. Its recently published development cooperation policy plan for 2007 envisions a four-fold increase in development assistance--focused on Georgia and Moldova, with additional assistance to Ukraine, Belarus, Afghanistan, and Kosovo. Although Latvia's assistance funding remains modest, the plan is evidence that Latvia is beginning to develop a foreign policy commensurate with its EU and NATO membership. The country sees a particular niche for Latvia to use its own post-Soviet experience to help countries in the neighborhood move closer to Europe. Latvia has an Embassy in Georgia and hopes to open one in Moldova as well. Moldova opened an embassy in Riga at the end of 2005.

#### Expanding Bilateral Trade and Investment

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¶6. (U) Latvia's open, agile and expanding market-oriented economy provides U.S. companies a promising export and investment destination in a newly-enlarged EU. The country has created a very business friendly environment that is attractive to foreign companies, and the country is experiencing explosive GDP growth (10.2 percent in 2005). In May of this year, Embassy Riga and the Government of Latvia staged an extremely successful Pan-Baltic Trade and Investment Conference focused on American business. President Vike-Freiberga opened the conference (with the Prime Minister in attendance) to an audience of approximately 150 business people from the U.S. and the Baltic states. She also held private meetings on the margins with a number of the U.S. businesses--to thank them and encourage further trade and investment. In many ways, Latvia is still a land of discovery for Americans and American companies, and strengthening economic ties between Latvia and the United States is a top priority for this Embassy.

¶7. (SBU) American companies have invested more than 350 million dollars in Foreign Direct Investment in Latvia during the last decade. The financial sector is expanding rapidly,

and GE Money is taking full advantage of these opportunities.

The company entered the Latvian market in 2004 and has grown extremely quickly. GE Money is in the process of acquiring a local bank so that it can further expand its presence in Latvia and become a full service bank. There are excellent prospects in manufacturing as well. Earlier this year, American door and window manufacturer Jeld-Wen opened a wood fiber plant near to town of Aizkraukle. This represented a 60 million dollar investment, and is the single largest foreign investment in the manufacturing sector in Latvia in the past decade. In October, U.S. firm New Century Holdings began construction of a new glass manufacturing facility called Groglass. This facility will use cutting edge technology to produce a special type of glass that has increased transparency (allows more light to pass through). The amount of the investment in this new facility is expected to be around 30 million dollars. Another sector presenting opportunities to American firms is infrastructure. We expect a major American hotel chain to open in Riga by 2010.

#### Energy Security

18. (C) Like other countries in the region, Latvia is focused on energy security and the threat that Russia will use its control of oil and gas resources as means of political coercion. In 2002, Russia ceased sending oil through a pipeline network to the Latvian port city of Ventspils, a significant economic blow. (Note: Some oil still transits through Ventspils, but it is brought in by railcar.) Energy security took on increased urgency after Russia briefly suspended natural gas supplies to Ukraine in January of this year. In particular, Latvia is heavily dependent on Russia for natural gas. To address this issue, the GOL wants to see the Baltic electricity grid linked up with the Nordic grid. It also wants to see the EU become more involved in protecting the energy interests of its newest members. To help diversify energy supplies, the GOL is considering a joint project with the other Baltic countries to use private financing to replace the aging Ignalina nuclear facility located just across the border in Lithuania. Latvia remains uneasy about the proposed Russian-German pipeline project.

#### Latvian-Russian Relations

19. (SBU) Latvian-Russian relations have been strained in recent years. However, there have been some recent, positive steps towards improving the relationship. In October, Latvia and Russia signed two bilateral agreements: one established an intergovernmental commission, and the other focused on economic cooperation. In addition, the recently reelected coalition government in Latvia hopes to make progress on the long-stalled Latvia-Russia Border Treaty.

#### Tolerance

10. (C) One political theme that I hope you can touch on during your discussions with Latvian counterparts is tolerance, inclusion and respect for others. One of the legacies of Soviet rule is a distrust of differences and a tendency to focus on the past rather than looking forward. This manifests itself in a variety of ways. Attacks on individuals of color, including an Embassy family member, attributable to racism are too often chalked up to "hooliganism." Attempts by Riga's small gay community to hold a pride march were met by violence and the interior minister said that securing the event would be a bigger security challenge than the NATO Summit. These attacks violate basic human rights. In addition, there is still tension between ethnic Latvians and the sizable ethnic Russian population, particularly over language issues.

#### Visa Waiver

¶11. (C) Latvia has long advocated entry into the Visa Waiver Program (VWP), and the Latvians assiduously raise this issue at every opportunity with U.S. Government officials who visit the country. To most Latvians, admission to the VWP would symbolize that Latvia is fully accepted in the community of Western nations and that the US fully recognizes Latvian's contributions. Latvia has taken a number of steps to become compliant with VWP criteria. For example, the country will soon begin issuing biometric passports that include digital facial recognition. While the non-immigrant visa refusal rate for Latvians has dropped in recent years, it still remains substantially higher than the 3 percent permissible under VWP legislation.

¶12. (SBU) My Embassy team and I believe that your visit will highlight to the Latvians the strength of our bilateral relationship and continue discussions on some of the economic and social issues that are crucial to Latvia's future success. It is an honor to have you visit twice in 18 months a country as you well know that serves as a very strong partner.  
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